

ASEAN Morning Bytes

General market tone: Wait and see.

Investors may opt to book gains for now as Fed minutes show the FOMC may be on hold but not forever.



EM Space: Focus shifts to not so dovish Fed, EM rally seen to slow

- **General Asia:** With limited developments on the trade front, the focus shifted to the Fed minutes which showed that although most FOMC members were in favor of a pause, a good number of officials still believed that a rate hike sometime in 2019 would be needed if data evolved positively.
- **Thailand:** In a mixed message, the Bank of Thailand's policy minutes noted 'gradual' and 'data-dependent' rate increases, yet a likelihood of an 'accommodative' policy stance in the period ahead. The BoT views recent THB strength in line with the emerging markets. The softer USD has pushed the THB to its strongest level since October 2013, undermining our view of the pair re-testing 32 in the near term on rising political uncertainty. But we remain confident about our view of the BoT leaving the policy unchanged this year.
- **Indonesia:** Bank Indonesia (BI) meets to decide on policy later on Thursday with market consensus pointing to a pause from the central bank. After hiking rates aggressively in 2018 to stave off a run on the IDR, BI is seen to leave rates unchanged with the currency

recouping roughly 2.5% year to date. Although Governor Warjiyo has projected BI to retain its hawkish stance, given IDR's strength, BI is afforded some space to keep rates steady to boost the economy going into the April elections.

What to look out for: US-China trade talks

- US durable goods (21 February)
- Indonesia policy meeting (21 February)
- ECB Draghi speech (22 February)

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